A. Laws Are Not to be Applied Extraterritorially Without Congressional Intent

This Court has long noted a reluctance to expand the reach of legislation outside the territorial jurisdiction of the United States without specific congressional intent to the contrary. *Aramco*, 499 U.S. at 248 (*citing Foley Bros. v. Filardo*, 336 U.S. 281, 285 (1949). Indeed, it is a "commonsense notion that Congress generally legislates with domestic concerns in mind." *Smith v. United States*, 507 U.S. 197 at n. 5 (1993); *Small v. United States*, ___ U.S. ___, 125 S.Ct. 1752, 1755 (2005).

On its face, 35 U.S.C. § 271(a) clearly describes that infringement occurs when anyone without authority "makes, uses, offers to sell, or sells any patented invention, within the United States...." The CAFC acknowledges that section 271(a) has a territorial reach "limited" to activities within the United States. Pet. App. at 49a. There is nothing in the statute that indicates that Congress intended infringement to encompass activities occurring outside the United States.

When analyzing method or process claims, the decision below is in accord with the long-held rule declining to apply the law extraterritorially. In these situations, control and beneficial use have no meaning, and the physical location of each of the steps required to complete the method exists as the paramount determination as to whether section 271(a) applies. The physical location requirement is strict -- when a complicated method comprising a series of steps is claimed, and only one insignificant step occurs outside the United States, infringement cannot occur because of the lack of extraterritorial application of the patent laws. Respondent has not appealed the determination that its method claims are not infringed for extraterritoriality reasons, thereby acknowledging that the patent laws have no extraterritorial reach.

Yet, the CAFC turned the extraterritoriality issue on its head for systems made up of components located outside the United

States. In these circumstances the physical location requirement becomes a moving target, as patent infringement and the application of section 271(a) is determined without regard to where the actual system components exist. Instead, if the system "as a whole" is controlled and has beneficial use in the United States, the patent laws apply to the activity.

If read in light of the clear mandate against extraterritoriality set forth in section 271(a) (as supported by Respondent for method claims), this result requires potential foreign infringers to analyze "how much" activity a United States court would require to find "use" in the United States and meet the statute's demands. For entities with foreign activities, such as those members of the Amici organizations, the CAFC's decision creates more uncertainty than clarity. These entities must not only determine the *type* of patent claims they potentially may face, but also must determine if "control" and "beneficial use" of their systems can be deemed to occur within United States, despite the physical presence of some *or all* of the components of the system *outside* the United States.

These control and beneficial use tests are not readily applied to the Internet and other telecommunications technology, where internationally distributed networks combine to provide a single service or product. For example, if a user in the United States accesses a foreign website (hosted in a foreign country) and plays a game on that site or enters data into that site, has a computer system encompassing that website been "used" in the United States solely by manipulating a mouse and keyboard – a use that could act as infringing activity? If only a router server exists in the United States, and information passes through that router from one foreign country to another foreign country, does the passage of information without human interactivity create a "use" in the United States so as to potentially infringe a network system patent? And, how is mobile technology that spans geographical boundaries controlled as a practical matter. For wireless devices, for example, how are systems that send signals capable of reception across geographical boundaries controlled? Is the entire

system terminated, even though legal in one country, because it is "used" in another country in an infringing manner even though it has merely received signals from a legal transmitter?

These risks are compounded given the increasing amount of issued patents (including business method patents), the rise of patent "holding" companies who do not practice their inventions but rather engage in patent litigation, and the high cost of patent protection and litigation. For Amici's members, these factors create a high degree of uncertainty and instability as to the metes and bounds of permissible and impermissible technology. These problems dictate adherence to congressional control over what extraterritorial activity can be reached by the patent laws.

But with the decision below foreign entities cannot rely on these well-established principles denying extraterritorial application of the patent laws without congressional input. The CAFC's analysis and its differentiation of extraterritoriality infringement depending on whether system or method claims are "used" is presented without any discussion of the unreasonable interference caused with the sovereign authority of foreign countries. *See F. Hoffman LaRoche Ltd. v. Empagran S.A.*, 542 U.S. 155, 164 (2004). Indeed, application of the patent laws in this manner clearly leads *to* a clash between the United States legal system and activities occurring on foreign soil.

Certainly, Congress could have directed patent infringement to encompass extraterritorial activities. "[W]hen it desires to do so, Congress knows how to place the high seas within the jurisdictional reach of a statute." *Aramco*, 499 U.S. at 258 (*quoting Argentine Republic v. Amerada Hess Shipping Corp.*, 488 U.S. 248, 440 (1989)). Congress has exercised this right in numerous statutes, such as the Export Administration Act of 1979 ("United States person" specifically defined to encompass foreign activities), the Coast Guard Act (allowing activity occurring on the high seas), the Criminal Code (extending reach to the high seas), customs laws (allowing enforcement on the high seas), the Comprehensive Anti-Apartheid Act of 1986 (United States

national defined to include any United States citizen without regard for location), the Logan Act (act applied to any citizen without regard for location), and the Age Discrimination in Employment Act ("employee" includes United States citizens employed in a foreign country). *See Aramco*, 499 U.S. at 258-59.

But Congress did *not* provide a clear mandate for the extraterritoriality of section 271(a), and in fact provided the opposite conclusion *against* extraterritoriality. The CAFC, by deeming extraterritorial acts either to occur or have some determinative effect in the United States, has thus expanded the extraterritorial reach of infringement for certain activities (system claims) and restricted the extraterritorial reach for other activities (method claims), all without any analysis of the desirability of this scheme in the patent laws and foreign relations.

As dictated by this Court in *Aramco, Smith,* and *Small*, some consideration into statements and evidence of congressional intent must occur before United States laws are expanded to reach foreign activity, even if that activity is couched as "use." But even with considerations into congressional intent, the presumption remains against the extraterritorial application of a statute. Indeed, to the extent considerations of congressional intent creates doubt as the extraterritorial reach of the law, this Court has held that these doubts must be resolved restrictively against such an application. *Smith*, 507 U.S. at 203-04.

Thus, attempts to discern congressional intent absent any clear language most always result in a denial of the extraterritorial reach of a law (given the preference against extraterritoriality). For example, portions of the Sherman Act, the Federal Torts Claim Act, Title VII, the National Labor Relations Act, the Labor Management Relations Act, the Eight Hour Law, the Federal Employers Liability Act, and the Seaman's Act have all been found *not* to apply to extraterritorial acts. *See, e.g., F. Hoffman-La Roche, supra* (portions of Sherman Act); *Smith*, *supra* (FTCA); *Aramco*, *supra* (Title VII); *McCulloch*, *supra* (National Labor Relations Act); *Benz v. Compania Naviera Hidalgo*, 353 U.S. 138

(1957)(Labor Management Relations Act); *Foley Bros.*, *supra* (Eight Hour Law); *New York Central R.R. Co. v. Chisholm*, 268 U.S. 29 (1925)(Federal Employers Liability Act); *Sandberg v. McDonald*, 248 U.S. 185 (1918)(Seaman's Act).[2]

In this case we have an admitted complex case of the extraterritorial reach of patent laws for "partial" infringing activity. Yet no deference is given to congressional intent, statutory language, or statements and policy regarding extraterritoriality.

B. This Court Has Expressed A Preference To Defer To Congressional Action

The CAFC also reached its decision without regard for the deference given to legislative intent in determining the extraterritorial application of 35 U.S.C. § 271(a) shown in *Deepsouth Packing Co. v. Laitram Corp.*, 406 U.S. 518 (1972). In *Deepsouth*, infringement under section 271(a) was avoided because unassembled components to be combined to create an infringing device were exported from the United States to a foreign country. Finding that the patent laws do not have extraterritorial reach, all that could be prevented under the patent laws was the assembly of the infringing device in the United

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[2] Certain statutes, particularly the Lanham Act, various securities laws, and portions of the Sherman Act have been found to apply extraterritorially after consideration of congressional intent. *See, e.g., Steele v. Bulova Watch Co., Inc.*, 334 U.S. 280 (1952)(Lanham Act); *Schoenbaum v. Firstbrook*, 405 F.2d 200 (2d Cir. 1968)(securities laws); *United States v. Aluminum Co. of America*, 148 F.2d 416 (2d Cir. 1945)(portions of Sherman Act). In these cases the congressional intent turned on protecting economic considerations, a factor not present in the patent laws. *See Paper Converting Mach Co. v. Magna-Graphics Corp.*, 745 F.2d 11, 16 (Fed. Cir. 1984)("By the terms of the patent grant, no activity other than the unauthorized making, using, or selling of the claimed invention can constitute direct infringement of a patent, no matter how great the adverse impact of that activity on the economic value of a patent.").

States. The assembly of the device outside the United States was beyond the reach of 35 U.S.C. § 271(a). *Deepsouth*, 406 U.S. at 527-29.

In accord with the philosophy set forth in the cases that led to *Aramco*, the Court stated that legislative activity would be required before the patent laws could be expanded extraterritorially:

> It follows that we should not expand patent rights by overruling or modifying our prior cases construing the patent statutes, unless the argument for expansion of privilege is based on more than mere inference from ambiguous statutory language. We would require a clear and certain signal from Congress before approving the position of a litigant who...argues that the beachhead of privilege is wider, and the area of public use more narrower, than courts had previously thought. No such signal legitimizes respondent's position....[W]e would still insist on a clear congressional indication of intent to extend the patent privilege before we could recognize the monopoly here claimed. Such an indication is lacking.

Deepsouth, 406 U.S. at 531-32. Congressional authority was provided in 1984, when section 271 was amended to specifically overrule *Deepsouth* and reach this type of extraterritorial activity. *See* 35 U.S.C. § 271(f).[3]

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[3] In addition, Congress amended section 271 to add subsection (g), allowing an action for infringement of a United States process patent where the process was accomplished outside the United States with the resultant product imported into the United States. However, Congress specifically did not intend section 271(g) to prevent the use of a U.S. patented process in another country – it "will not give extraterritorial effect to U.S. law...." *Pfizer Inc. v. Aceto Corp. et al.*, 853 F.Supp. 104, 105 (S.D.N.Y. 1994)(quoting S. Rep. No. 83, 100th

(continued....)

For Amici, the key issue raised by *Deepsouth* is this Court's reluctance to expand the patent grant extraterritorially without congressional direction. Proper deference to the rationale behind denying the expansion of the patent laws presented by *Deepsouth*, and the corrective activities by Congress should be addressed in this case.

C. The CAFC Should Have Considered International Treaties and Comity

The effect of the extraterritorial scheme established by the CAFC for certain claims is at odds with the reluctance of courts to interfere unreasonably into the sovereign authority of foreign countries by applying United States laws extraterritorially. *F. Hoffman LaRoche Ltd. v. Empagran S.A.*, 542 U.S. 155, 164 (2004). One of the main purposes of the presumption against the extraterritorial application of laws absent congressional direction is to prevent discord between the laws of different nations. *Aramco*, *supra* at 248. The CAFC's decision, and its reliance on *Decca*, neither analyzes nor addresses the various patent treaties that relate to the patent laws, as well as comity principles governing the application of laws between different nations.

The considerations attendant to the extraterritorial reach of the patent laws should accommodate, for example, the various patent treaties and conventions to which the United States is a party, including the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs), the Paris Convention for the Protection of Industrial Property (Paris Convention), and the North American Free Trade Agreement (NAFTA). Each of these agreements is

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(continued) . . .

Cong., 1st Sess. 48 (1987)). Neither the congressional intent against extraterritoriality or the interplay between section 271(g) infringement and section 271(a) infringement was addressed by the CAFC.

based on both the national treatment and minimum standards of intellectual property protection. Clearly, a broad application of the patent laws to regulate activity occurring in foreign countries implicates the central tenets of these agreements. *See* TRIPs, Arts. 1, 3; Paris Convention, Art. 2; NAFTA, Art. 1701, 1703. For example, Article 27, paragraph 2 of the TRIPs Agreement grants member countries the right to exclude "within their territory" certain types of inventions from patentability. This right to exclude could clash with the extraterritorial reach to United States laws granted by the CAFC. As such, this Court's analysis is required to fully consider these agreements and their underlying philosophies as applied to a novel extraterritorial situation involving physical acts in multiple countries.

The extraterritorial reach of foreign laws to activities in the United States is becoming an issue with the global reach of Internet activities. Technology such as the Internet allows a single activity to impact immediately multiple jurisdictions. However, United States courts are resolving these issues by applying comity principles to clashing legal systems. For example, in *Yahoo!, Inc. v. La Ligue Contre Le Racisme et L'Antisemitisme*, 169 F.Supp. 2d 1181 (N.D. Cal. 2001), *rev'd on other grounds*, 379 F.3d 1120 (9th Cir. 2004), the court addressed the issue of speech that could occur, due to the Internet, in two different physical locations at the same time. A French court held Yahoo! liable for providing Nazi-related memorabilia on its Internet auction systems in violation of a French law against sales of this type of merchandise. The law was applied to the activities of French users of the Yahoo! system, with the French court ordering Yahoo! to block the offending auction sales to those French users or face contempt charges and fines. Yahoo! resisted the ruling, arguing that it was impossible to effectively filter out French individuals from accessing Yahoo!'s system. Concerned about the extraterritorial application of the French law to its activities outside of France (including its Internet activities that happen to have been accessed by French users), Yahoo also filed a declaratory judgment action in the United States asking that the French order not be enforced. *Yahoo!*, 169 F.Supp. at 1184-86. At issue was the situation where one instance

of "speech" could be heard across multiple national boundaries (with their corresponding differing legal systems). The speech "heard" in France clearly violated French law; however, that same speech, when heard in the United States, was protected under the First Amendment. *Yahoo!*, *Id.* at 1192-93. Applying the tenets of comity, the United States court ruled that the French court's judgment could not be enforced in the United States. *Id.*

All of these circumstances – treaties, conventions, the application of United States laws abroad, and the application of foreign laws in the United States – require an analysis of the extraterritorial reach of sovereign nations. And in all of these circumstances the preference is for the national treatment of laws. These are the types of issues involved in the aforementioned clash of differing legal systems, and in favoring legislative activity to minimize international discord.

II. THE EXTRATERRITORIAL APPLICATION OF ONLY A PORTION OF A PATENT'S CLAIMS CREATES CONFUSION REGARDING THE PATENT GRANT

This Court should also grant the petition to address the desirability of a patent system where the extraterritorial reach is determined based on the statutory class of claim selected by the patent drafter. As a result of the CAFC's decision, whether or not a patent has an extraterritorial effect must be evaluated on a claim by claim basis, inasmuch as system claims can be infringed by components located outside the United States, but method claims cannot be infringed by the very same components performing actions outside the United States. Yet in many instances, such as the claims at issue here, the system and method claims contained nearly identical language and vary only with respect to the extent necessary to *phrase* the claims as system or method claims.

While Congress clearly intended for certain discrete sections of the patent laws to have an extraterritorial impact, *see, e.g.*, 35

U.S.C. § 271(f), it is less clear that Congress intended for different statutory classes to have different extraterritorial rights merely based on the wordsmanship of differing claims. The expansion of the extraterritorial analysis to this detailed level should be addressed by this Court as a policy matter, as well as for practical purposes.

The claims define or delimit the scope of legal protection for the patent grant. "A claim is a group of words defining only the boundary of the patent monopoly." *General Foods Corp. v. Studiengesellschaft Kohle mbH*, 972 F.2d 1272, 1274 (Fed. Cir. 1992)(*quoting In re Vogel*, 422 F.2d 438 (CCPA 1970)). However, these words are used to determine what the invention actually *is*. *Id.* Thus, the patent laws require that claims "particularly point[] out and distinctly claim[] the subject matter which the applicant regards as his invention. 35 U.S.C. § 112, ¶ 2.

It is permissible to claim this *one* invention as *several* different statutory classes within the same patent, such as by a system claim and a method claim (as was done in the asserted patents). However, no matter what semantic strategy is used in the claims, and no matter how many different claims are presented in a patent, it is only the single subject matter which the applicant regards as his invention that receives the patent grant.

The CAFC's decision authorizes a situation whereby certain claims in a patent may reach extraterritorial activities (the system claims), while other claims in that same patent do not (the method claims). Pet. App. at 56a. This application presents many conundrums, primarily why an "invention" can (or cannot) reach extraterritorial activities based solely on the words used to define that invention.[4] More importantly, it allows the extraterritorial

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[4] The CAFC's decision also presents no workable solution for "product-by-process" claims in which a product is defined, in part, in terms of the process by which it is made. It remains unclear, for those activities that occur partly in the

(continued....)

reach of a patent to be determined by a claim drafter, not Congress.

Some analysis into the impact of this claim-by-claim scheme should be considered beyond the CAFC's reliance on *Minton v. Nat'l Ass'n of Sec. Dealers, Inc.*, 336 F.3d 1373 (Fed. Cir. 2003). *See* Pet. App. at 54a-55a. *Minton* merely addresses whether activities under section 102(b) should be treated differently for a tangible item as opposed to a process. Moreover, the CAFC's application of *Minton* is at odds with its recent decision in *Eolas Techs. Inc. v. Microsoft Corp.*, 399 F.3d 1325, 1339 (Fed. Cir. 2005)("This court accords the same treatment to all forms of invention....[and] cannot construct a principled reason for treating process inventions different than structural products")(citing TRIPs, Part II, Section 5). This is particularly true for computer technologies such as that at issue in this case. *Id.* at 1339 ("[P]rocess and product – software and hardware – are practically interchangeable in the field of computer technology.").

The main purpose of 35 U.S.C. § 112, ¶ 2 is to give notice as to the boundaries of applicant's invention:

> Its purpose is to provide those who would endeavor, in future enterprise, to approach the area circumscribed by the claims of a patent, with the adequate notice demanded by due process of law, so that they may more readily and accurately determine the boundaries of protection involved and evaluate the possibility of infringement and dominance.

(continued) . . .

United States and partly abroad, whether the CAFC's decision would reach extraterritorial activity for these types of claims.

Ex parte Lyell, 17 U.S.P.Q. 2d 1548, 1990 Pat. App. LEXIS 14 at *5-*6 (August 16, 1990 Bd. Pat. App. Int.). The CAFC's solution runs afoul with this purpose – no clear notice is provided as to which test would apply to any given claim, the boundaries of protection (both by technology and geography) would be inconsistent, and a foreign business trying to evaluate whether its technology would infringe United States patents would face more uncertainty than certainty. This Court should clarify the extraterritorial reach of individual claims when viewed against the backdrop of promoting a patent monopoly in return for allowing the world to know clearly what is contained within the grant.

CONCLUSION

For the foregoing reasons and those presented by the Petitioner, the Petition for a Writ of Certiorari should be granted.

Respectfully submitted,

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No. 05-763

IN THE

Supreme Court of the United States

OCTOBER TERM, 2005

RESEARCH IN MOTION, LTD.,

Petitioner,

v.

NTP, INC.,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

INTEL CORPORATION'S MOTION FOR LEAVE TO FILE AND BRIEF AS *AMICUS CURIAE* IN SUPPORT OF THE PETITION FOR CERTIORARI

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QUESTIONS PRESENTED

1. Whether a defendant can "use" a system "within the United States" and thereby infringe a patent under 35 U.S.C. § 271(a) even though a component that is essential to both the patent claims and the operation of the accused system is not located within the United States.

2. Whether the Federal Circuit's holding that a patented *system* can be "used" in this country even though a key component of the system lies outside the country can be squared with its holding that a patented *method* can be "used" in this country only if each and every step of the method is performed within the country.

TABLE OF CONTENTS

Questions Presented i

Table of Authorities iii

Motion for Leave to File and Statement of Interest 1

Brief of Intel Corporation as *Amicus Curiae* 2

Summary of Argument 2

Argument 4

A. The Scope of U.S. Patent Liability for Activities Crossing National Borders Is an Issue of Great and Growing Importance 4

B. The Federal Circuit's Distinction Between "System" and "Method" Claims Makes No Sense, and Its Overall Jurisprudence of Transnational Patent Liability Cries Out for Clarification and Coherence 5

C. It Is Up to Congress to Extend the Extraterritorial Reach of United States Patent Law—and When Congress Has Done So, It Has Done So Narrowly and with Carefully Crafted Limitations 7

D. There Is No Need for the Courts to Expand § 271(a) to Cover Systems Spanning Multiple Countries 10

Conclusion 11

TABLE OF AUTHORITIES

Cases — Pages

AT & T Corp. v. Microsoft Corp.,
414 F.3d 1366 (Fed. Cir. 2005) 6

Brown v. Duchesne,
60 U.S. 183 (1857) 7

Chef Am., Inc. v. Lamb-West Inc.,
358 F.3d 1371 (Fed. Cir. 2004) 10

Deepsouth Packing Co. v. Laitram Corp.,
406 U.S. 518 (1972) 7, 8

Dowagiac Mfg. Co. v. Minn. Moline Plow Co.,
235 U.S. 641 (1915) 7

EEOC v. Arabian Am. Oil Co.,
499 U.S. 244 (1991) 7

Eolas Technologies Inc. v. Microsoft Corp.,
399 F.3d 1325 (Fed. Cir.),
cert. denied, 126 S. Ct. 568 (2005) 6

Morris, In re,
127 F.3d 1048 (Fed. Cir. 1997) 11

NTP, Inc. v. Research In Motion, Ltd.,
418 F.3d 1282 (Fed. Cir. 2005) ..... *passim*

Pellegrini v. Analog Devices, Inc.,
375 F.3d 1113 (Fed. Cir. 2004) 6

Statutes and Rules

35 U.S.C. § 112 11

35 U.S.C. § 271 ..... *passim*

S. Ct. R. 37.2(b) 1

Other Authorities

Robert C. Faber, *Landis on Mechanics of Claim Drafting* § 59 (4th ed. 1996) 10

MOTION FOR LEAVE TO FILE AND STATEMENT OF INTEREST

Intel Corporation moves under Rule 37.2(b) of this Court for leave to file the following *amicus* brief in support of the petition for certiorari. Intel files this motion because respondent NTP has refused to consent to the filing unless Intel agrees to several conditions that are unwarranted by the Rules of this Court.[1]

Intel has a strong interest in the legal standards governing liability under the U.S. patent laws for acts that span national boundaries. Intel develops and produces chips, boards, systems and software building blocks that are integral to computers and communications products. It is the largest semiconductor manufacturer in the world, and its research, development, sales and marketing activities routinely transcend national borders.

Intel's interest in the questions presented is balanced. On the one hand, Intel invests billions of dollars every year in research and development and is regularly ranked among the nation's top patentees. Intel relies on patent protection to protect its intellectual property rights around the world. On the other hand, Intel has been an attractive target for infringement claims, particularly by nonpracticing patentees such as NTP. Intel is concerned that such patentees will attempt to assert their U.S. patents to restrict Intel's international activities. Intel is also disturbed that other nations are likely to react to the decision below by extending their own patent laws to cover the multinational activities of American companies.

Although Intel's interest in this case stems primarily from its concern over the governing legal principles, Intel

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[1] No party or counsel to a party has authored the brief in whole or in part, and no person or entity other than Intel Corporation has made any financial contribution to its preparation or submission.

also has a commercial relationship with petitioner RIM. Intel was an early investor in RIM, and RIM remains a valued customer of Intel even though Intel sold off its investment interest in RIM years ago. Intel hopes that relationship will continue—indeed, Intel and RIM recently have agreed to an extensive technology collaboration in which RIM will use Intel communications technology in future BlackBerry® devices. A judgment against RIM could affect RIM's purchases from Intel and its ability to work with Intel.

Intel believes that the Court will benefit from Intel's views on the propriety of certiorari. As a leading international technology company, Intel well understands the importance of the issues at stake. Intel is similarly well positioned to explain the problems with the Federal Circuit's distinction between "use" of "method" patents and "use" of "system" patents and the overall incoherence of the Federal Circuit's recent jurisprudence on transnational infringement.

Intel therefore urges the Court to accept this brief.

BRIEF OF INTEL CORPORATION AS *AMICUS CURIAE*

SUMMARY OF ARGUMENT

1. The scope of liability under American patent laws for activities crossing national borders is an issue of great and growing importance. The Federal Circuit's decision is highly significant in this era of international computer and telecommunications systems and international business practices.

2. The Federal Circuit's fine distinction between a *method* whose steps are performed in different countries, and a *system* whose components operate in different countries makes no sense. More generally, the Federal Circuit's entire jurisprudence of transnational patent liability cries out for clarification and greater coherence.

3. The overarching principle for determining the scope of transnational patent infringement liability is one that this Court has often reiterated but the Federal Circuit has ignored: U.S. patent laws are presumed not to have extraterritorial scope. More precisely, unless Congress clearly indicates otherwise, infringement of U.S. patent laws can occur only when all limitations of the claims are met by a product located in this country or by a process carried out in this country. The political branches are far better equipped than the courts to fix any perceived loopholes in 35 U.S.C. § 271(a) and to weigh the difficult policy issues and comity concerns inherent in extending liability to acts taken or items located abroad. Not surprisingly, they have treaded cautiously to date, expanding liability to activities outside U.S. borders rarely and narrowly. The logic of the present decision, however, is sweeping and may encourage other nations to retaliate by imposing their patent laws on multinational activities by U.S. companies.

4. NTP's warning about international "dead zones" or "no man's lands" is spurious. Patentees can and already do avoid infringement loopholes by carefully drafting their claims. Patent lawyers routinely draft claims to cover numerous permutations of steps or subcombinations of components because no single person or company may practice the entire method or system. The same approach can readily handle situations where part of a method or system is practiced domestically and part abroad. In any event, if transnational noninfringement were to prove a significant problem, the political branches undoubtedly would have the power to fix it by statute or treaty. The courts should not unilaterally and artificially stretch the concept of domestic "use" as the Federal Circuit has done.

ARGUMENT

The Scope of U.S. Patent Liability for Activities Crossing National Borders Is an Issue of Great and Growing Importance

The extent to which American patent laws govern international activities is extremely important to the modern American economy and therefore to the American legal system.

Globalization of the American economy is growing and here to stay. Taking advantage of production efficiencies, reduced tariffs and faster and cheaper shipping, companies are importing more and more products into this country and exporting more and more products abroad. Moreover, globalization is not limited to simple import and export of finished goods. The Internet and other telecommunication networks have made international communications much easier and less expensive. As a result, services are increasingly being provided across international borders as well.

What is more, many companies are now developing and producing their products and services using teams and computer systems located in multiple countries. Especially in high-technology industries, it is now routine for part of a product to be developed in one country and part in another, for part of a product to be manufactured in one country and part in another, and for some assembly and packaging to be done in one country and some in another. In addition, products and systems are often customized according to the standards and cultures of different nations or (as in this case) deployed across national boundaries.

In short, international business is now the norm. This case happens to involve an international telecommunications network, but it is far from unique in raising issues of the extraterritorial scope of 35 U.S.C. § 271. Indeed, NTP implicitly recognizes this fact by arguing that

improperly construing the scope of transnational liability would have "dramatic and pernicious effects." Opp. 22. Of course, NTP and RIM disagree over which construction of the statute is correct, but everyone should agree that the extent to which U.S. patent laws cover international activities is an extremely important issue that merits review by this Court.

B. The Federal Circuit's Distinction Between "System" and "Method" Claims Makes No Sense, and Its Overall Jurisprudence of Transnational Patent Liability Cries Out for Clarification and Coherence

Certiorari also is warranted because the Federal Circuit's holdings in this case cannot be reconciled and, more generally, that court's jurisprudence on transnational patent issues is hopelessly splintered.

The Federal Circuit's opinion holds that every step of a claim reciting a "method" must be practiced in the United States for the method to be "used" in the United States in violation of § 271(a). *NTP, Inc. v. Research In Motion, Ltd.*, 418 F.3d 1282, 1317-18 (Fed. Cir. 2005). On the other hand, the court held that a claim directed to a "system" *can* be infringed under § 271(a) although one or more significant components of the system are *not* located within the United States. *Id.* at 1316-17.

There is no principled or policy basis for the outcome to depend on the form of the claim. It makes no sense to hold that every step must occur domestically to infringe a claimed *process*, yet hold that every component need *not* operate domestically to infringe a claimed *system*. Contrary to the Federal Circuit's suggestion, the steps of "method" claims are used just as "collectively" as the components of "system" claims, and each component of a claimed system is just as vital as each step of a claimed method. The distinction between "method" and "system" claims is especially tenuous where, as here, the "system" claims are written to parallel the "method" claims by

requiring the system components to perform specific acts that are equivalent to the steps of a method. *See, e.g., id.* at 1294-95 (reciting "system" claim 1 and "method" claim 18 of the '960 patent). Thus, either RIM infringes both sets of claims or it infringes neither set. Even NTP rejects the Federal Circuit's split holding. Opp. 18 n.9.

Similar problems and inconsistencies have appeared in the Federal Circuit's analysis of related transnational infringement issues. For example, in this case the Federal Circuit held that RIM did *not* infringe NTP's method claims under § 271(f). In so holding, the panel distinguished *Eolas Technologies Inc. v. Microsoft Corp.*, 399 F.3d 1325, 1338-41 (2005), *cert. denied*, 126 S. Ct. 568 (2005), which held that software code written in the United States and sent abroad on "golden master disks" for use abroad *did* infringe an American patent because the code qualified as a "component" of a patented invention under § 271(f). *Eolas* was recently extended in *AT & T Corp. v. Microsoft Corp.*, 414 F.3d 1366, 1369-72 (Fed. Cir. 2005), which held (over a dissent) that master software sent abroad may be deemed "supplied" from the United States for purposes of § 271(f). For their part, *Eolas* and *AT & T* distinguished but remain in palpable tension with *Pellegrini v. Analog Devices, Inc.*, 375 F.3d 1113, 1115-19 (Fed. Cir. 2004), which held that chips designed in the United States but manufactured abroad did *not* infringe under § 271(f) because the chips themselves were never made, used or sold in the United States or physically "supplied" from the United States.

Each of these cases has purported to distinguish the next, but the ultimate holdings are difficult to reconcile, and they lack a common analytical approach. Simply put, the Federal Circuit and litigants are greatly in need of direction from this Court, and this case would be an excellent vehicle for providing such direction.[2]

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[2] NTP has contended that RIM infringes the system and method claims under § 271(f) as well as § 271(a). To the extent

C. It Is Up to Congress to Extend the Extraterritorial Reach of United States Patent Law—and When Congress Has Done So, It Has Done So Narrowly and with Carefully Crafted Limitations

One overarching principle of statutory construction should govern the scope of transnational patent infringement: the patent laws of the United States are limited to devices operating entirely within the United States and activities taking place entirely within the United States, except where Congress has expressed a clear intention to extend the scope of liability extraterritorially.

The principle that American statutes are presumed to extend only to acts occurring and things located within American borders is well settled. As a general rule, "Congress legislates against the backdrop of the presumption against extraterritoriality," and thus "legislation of Congress, unless a contrary intent appears, is meant to apply only within the territorial jurisdiction of the United States." *EEOC v. Arabian Am. Oil Co.*, 499 U.S. 244, 248 (1991) (citation omitted). The presumption of domestic scope is even more firmly established in the context of patent infringement, where the Patent Act has long limited liability to acts and items "within the United States." *See Deepsouth Packing Co. v. Laitram Corp.*, 406 U.S. 518, 527-32 (1972) (complete "assembled or functioning whole" must be made, used or sold inside this country to infringe); *Dowagiac Mfg. Co. v. Minn. Moline Plow Co.*, 235 U.S. 641, 650 (1915) (sales of drills in Canada could not infringe U.S. patent); *see also Brown v. Duchesne*, 60 U.S. 183, 194-98 (1857) (American patent did not cover improvements to ships that had been fitted in foreign ports, even when such ships entered American ports).

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that review of this case would clarify the scope of § 271(f) as well as § 271(a), all the better, but the § 271(a) issues are certworthy by themselves.

The reason for this wise rule goes beyond the usual salutary principles of judicial restraint. Congress and the President are far better equipped than the courts to weigh the difficult policy issues posed by international activities. Legislation in this area requires harmonizing American and foreign patent systems with due regard for delicate issues of international comity and treaty obligations. Broadly construing U.S. patent liability runs the serious risk of offending other countries and causing difficulties for domestic businesses that, like Intel, operate outside the United States.

Accordingly, this Court has required a "clear and certain signal" from Congress before finding that an act taken or a device located abroad infringes a U.S. patent. *Deepsouth,* 406 U.S. at 531. The Federal Circuit candidly acknowledged the lack of such a clear signal here, saying that "it is unclear from the statutory language how the territoriality requirement limits direct infringement where the location of at least a part of the 'patented invention' is not the same as the location of the [allegedly] infringing act." 418 F.3d at 1315. That should have been the end of NTP's infringement claims. Unfortunately, the Federal Circuit forged ahead, construed § 271(a) broadly, and held that RIM infringes even though the core "relay" component of RIM's system is located in Canada.

To make matters worse, the Federal Circuit's "control and beneficial use" test and its expansion of § 271(a) have no basis in the statutory text and no clear limiting principle. Indeed, it might apply even when most or all of a transnational system operates abroad. That is significant because when Congress *has* extended the scope of the Patent Act to cover activities occurring outside the United States, it has done so expressly and narrowly, with carefully crafted statutory limitations. In each case, the expansion of infringement liability was statutory, targeted to particular concerns, and contained provisions designed to contain the scope of added liability: